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Proposed programme budget for the biennium 2010-2011

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Seventh annual progress report on the implementation of the capital master plan

Report of the Secretary-General

Summary

The seventh annual progress report on the capital master plan is submitted pursuant to section II, paragraphs 31 and 34, of General Assembly resolution 57/292. It outlines the transition from the design phase work to actual construction activity since the issuance of the previous report (A/63/477).

Significant progress has been achieved during the first year of the construction phase of the project, including the completion of the design and construction documents for 80 per cent of the entire project; the award to the construction manager of approximately $746.7 million in guaranteed maximum price contracts for construction work; the initiation of the construction of the temporary North Lawn Building and all the other swing spaces; asbestos abatement and swing space construction work in the Dag Hammarskjöld Library Building and off-site buildings; and the commencement of work to modernize the infrastructure systems and basements on campus.

Off-site swing space fit-out will be completed in the autumn of 2009 to temporarily house Secretariat departments and offices during the renovation and modernization. The relocation of staff to swing spaces commenced in the spring of 2009 in order to prepare for the start of construction in the Secretariat and Conference Buildings in late 2009 and early 2010.

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The project remains on schedule for completion in 2013. Continuous value engineering as well as the current economic climate have helped the capital master plan procurement process to maintain the budget goals that were established in the sixth annual progress report.

I. Introduction

1. In December 2007, the General Assembly, in its resolution 62/87, approved the proposal of the Secretary-General for an accelerated strategy that would result in the completion of the capital master plan project by 2013, with a lower risk of financial surprise or construction disruption inherent in the phased approach on which the prior strategy was based. The present report provides an update on the status of the project since the issuance, in October 2008, of the previous annual progress report (A/63/477).

II. Progress since the previous annual report

A. Design work

2. Since the previous report, design and construction documents have been completed for approximately 80 per cent of the work of the project. These construction-ready documents have incorporated the results of the value engineering exercises conducted by the capital master plan project team, as well as the blast and sustainability considerations requested by the General Assembly. The design work that has been completed includes the replacement of all glass facades (also known as curtain walls); the renovation of the Secretariat, Conference and General Assembly Buildings, as well as two of the three major sections of the basements and infrastructure; and campus-wide infrastructure systems, such as security, building management, fire alarm and public address systems. In addition, the design and construction documents for all the swing spaces have been completed. However, the design work for the Dag Hammarskjöld Library and South Annex (Cafeteria) Buildings has not yet been completed, as they will be the last to be renovated. The final site/landscape design has not yet begun.

3. The renovated facilities will incorporate many innovative design features, including open offices; a modular planning grid to make office reconfigurations easier; consolidated office conference floors; two new mid-sized conference rooms, providing greater flexibility than the current rooms; a new multi-purpose meeting room; energy-conserving underfloor cooling in the Council Chambers and energy-efficient lighting throughout the campus; the relocation of the loading dock function to the north end of the site, which will eliminate certain blast-protection expenses as well as improve functionality; a relocated car entrance and exit at 42nd Street, which will improve traffic flow for cars and reduce certain blast-protection expenses; a consolidated data centre in the existing underground space; and an updated central conference engineering/broadcast facility.

B. Moves into off-site office swing spaces

4. In order to vacate space for renovation, 2,773 staff will move off site, that is, out of the Secretariat Building. It should be noted that in tallying the number of moves, only end results — not "double moves" — are taken into account. A total of 1,835 staff will move to the 380 Madison Avenue Building, 680 staff will move to the Albano Building and 258 staff will move to the United Nations Federal Credit Union (UNFCU) Building. Any additional moves will be in coordination with the

expansion of office space arranged for by the Office of Central Support Services. In order to maintain functionality, some interim moves will also be made to allow heads of department and functions that must be readily accessible to the on-site conference facilities to be located in the closest leased buildings.

5. As at 1 September 2009, 1,477 people had moved to the Madison Avenue Building, 680 people had moved to the Albano Building and 107 people had moved to the UNFCU Building. Staff added after the swing space budget was determined are accounted for in the normal provision of space by the Office of Central Support Services. Planning by the Office of Central Support Services and the Office of the Capital Master Plan is coordinated so that, regardless of the funding source, each department is treated as a single entity.

C. Construction of the temporary North Lawn Building

6. Since the issuance of the previous report, the 190,000-square-foot temporary North Lawn Building has been erected and enclosed. The installation of interior utilities and finishes is under way. The Building is scheduled to be completed and ready for occupancy in the autumn of 2009. That Building will act as swing space for the Conference Building functions for two years during the renovation of the Conference Building. At the conclusion of that phase, Conference Building functions will return to the renovated Conference Building. The temporary North Lawn Building will then be partially reconfigured to house the functions of the General Assembly Building, and the General Assembly functions will move to the temporary Building. Upon the conclusion of the General Assembly renovation phase, the temporary North Lawn Building will be removed and the grounds restored to their original state.

7. Owing to security concerns, the Security Council and its related functions will utilize Conference Rooms 4, 5, 6 and 7 as swing space during the renovation of the Security Council Chamber. The Executive Office of the Secretary-General, the Office of the President of the General Assembly, the office suite of the Advisory Committee on Administrative and Budgetary Questions and other offices will be located in the temporary North Lawn Building.

D. Other swing space

8. In addition to moves off site, many staff and functions will be relocated within the Headquarters complex to provide unoccupied areas so that the basement renovation work can proceed. An additional 811 people will be moving within the site in the coming months, including those moving into temporary offices in the basement, the Dag Hammarskjöld Library Building, the South Annex Building and the temporary North Lawn Building. These moves are summarized below:

(a) A total of 147 staff will be relocated to temporary basement facilities from the existing North Lawn Building to facilitate the renovation of the Building;

(b) A total of 322 staff will be relocated to the Dag Hammarskjöld Library Building from the Secretariat Building to allow for the renovation of the Secretariat Building; 180 members of the accredited media will also be relocated from the

Secretariat and Conference Buildings to the swing space in the Library. The core library function remains within the Building, in a compressed area;

(c) A total of 23 staff will be relocated to the South Annex Building from the Secretariat Building;

(d) A total of 272 staff will be relocated to the temporary North Lawn Building from the Conference and Secretariat Buildings;

(e) A total of 15 staff will be relocated to the General Assembly Building from the Conference Building.

III. Schedule

9. The renovation of the basements and the construction of the temporary North Lawn Building did not begin early in 2008 as planned, owing to various factors, including:

(a) The complexity of the development of the relocation plan within the existing budget and the need for a number of offices within the Secretariat to be involved in the preparation, evaluation and approval of multiple guaranteed maximum price contracts, which is a complex process not previously undertaken. Consequently, detailed and comprehensive due diligence was required in order to protect the interests of the Organization;

(b) The need to complete the incorporation of the blast and sustainability requirements while finalizing the value engineering changes;

(c) Other procedural revisions to the standard United Nations methodology that required some time to finalize, such as the delegation of authority unique to the capital master plan, and a long internal negotiation process.

10. The process for signing guaranteed maximum price contracts has been streamlined since the first such contracts were signed, and the orderly progression required to meet the projected schedule has resumed.

11. The delay in the commencement of the temporary North Lawn Building resulted in a projected delay in the start of the renovation of the Secretariat Building. However, Skanska and the capital master plan teams have developed an accelerated construction schedule for the Secretariat Building that will make up for previous delays and allow the project to complete the Building on time. The date of completion of the renovation of the Secretariat Building is therefore in line with the dates projected for the termination of the responsibility of the Office of the Capital Master Plan for costs of office swing spaces leases, subject to favourable conditions on the lease market at that time.

12. In discussions concerning the relocation strategy for the Conference Building, the Department of Safety and Security advised that the Security Council must remain within the main complex Buildings and could not be relocated to the temporary North Lawn Building. This resulted in the requirement to construct a temporary Security Council Chamber in the General Assembly Building. As that cannot happen until the functions located in that area have been relocated to the temporary North Lawn Building, the Conference Building start date is now projected to be early 2010. However, the Secretary-General expects to minimize the

delay by accelerating that renovation. The General Assembly renovation, which will start after the completion of the Conference Building renovation, is therefore projected to be completed only slightly behind schedule, late in 2013.

13. The schedule for the renovation of the South Annex and Library Buildings is still being developed. The renovation work on those two Buildings will start after the completion of the Conference Building, and the renovation work for both Buildings will be completed in 2013.

14. In summary, the current schedule projects that the Secretariat Building will be fully reoccupied in mid-2012, possibly avoiding additional rental expenses, and the entire project will be completed in 2013, approximately five years after the ground-breaking.

Table 1
Schedule of the capital master plan

	Projection as set out in A/63/477		*Current projection*		
Activity	*Start*	*Complete*	*Start*	*Complete*	*Comments*
Construction of temporary Conference Building	Early 2008	Mid-2009	Mid-2008	Late 2009	Completion due in late autumn 2009
Renovation of United Nations Headquarters	Early 2008	Mid-2013	Late 2008	Late 2013	Work in basement commenced in late 2008
Conference Building	Mid-2009	Mid-2011	Late 2009	Late 2011	Conference Building renovation cannot commence until temporary Security Council Chamber has been constructed
General Assembly Building	Mid-2011	Mid-2013	Late 2011	Late 2013	To follow the Conference Building renovation
Secretariat Building	Early 2009	Early 2012	Late 2009	Mid-2012	Renovation work to commence after the completion of the temporary Conference Building
South Annex Building	Early 2011	Early 2012	Late 2011	Early 2013	Renovation work to commence after the completion of the Conference Building

	Projection as set out in A/63/477		*Current projection*		
Activity	*Start*	*Complete*	*Start*	*Complete*	*Comments*
Library Building	Early 2012	Early 2013	Early 2013	Late 2013	Renovation work to commence after the completion of the South Annex Building
Site/ landscaping	Mid-2009	Mid-2013	Mid-2011	Late 2013	Will be coordinated with completion of each building

IV. Value engineering

15. As discussed in the sixth annual progress report, an intensive value engineering exercise was initiated in December 2007 in order to seek ways to reduce the $219 million project deficit. The initial value engineering effort successfully identified approximately $100 million in items that could be modified without a loss in terms of functionality or quality. Value engineering work has continued throughout the preparation of preliminary and final design and construction documents, and there has been continuous evaluation, at each design review opportunity for each component of the project, to determine whether a more cost-efficient alternative is possible. The value engineering work also extends to the procurement of the guaranteed maximum price contracts, whereby Skanska and its subcontractors are required to suggest less expensive means and methods of work.

16. Over the past few months, estimates for major scope item cost savings alternatives for the project were received from the construction manager and consultants and were reviewed for viability. To date, estimates indicate that the effort has been successful and the value engineering work will continue through the procurement process for each subproject of the capital master plan. The goal is to achieve an additional $100 million or more in savings so as to allow the project to be completed on, or below, budget.

V. Procurement

17. In its resolution 63/270, the General Assembly reiterated its request to the Secretary-General to explore ways to increase procurement opportunities for vendors from developing countries and countries with economies in transition. In this regard, during the reporting period the Procurement Division of the Department of Management continued working to explore ways to increase procurement opportunities for vendors from developing countries and countries with economies in transition and to increase the transparency of all procurement processes. The Secretariat continues to work closely with the construction manager to ensure that all procurement opportunities are extended and communicated as widely as possible. In particular, during the past year the Procurement Division has contributed to notes verbales issued to Member States relating to key requests for Expressions of Interest; reviewed and requested enhanced wording for requests for expressions of interest issued by the construction manager; contributed to procurement seminars

both overseas and in New York; briefed representatives from overseas missions to the United Nations; met representatives from overseas trade organizations; and requested revisions to construction specification documents to ensure the widest interpretation permissible. Furthermore, the Procurement Division is engaged in ongoing activities to publicize opportunities and to contact vendors in developing countries and countries with economies in transition through the United Nations Global Marketplace, related United Nations agencies and local trade organizations. It is expected and planned that these actions, and others under development, will continue for the remainder of the project. Actions of note include working with the construction manager to identify the country of origin and value of all materials bought for the capital master plan and to ensure that the value of material originating from developing countries and countries with economies in transition is identified separately.

18. In response to earlier General Assembly requests to the Secretary-General, the Secretariat continues to ensure that procurement processes are conducted in a transparent manner. In particular, the Procurement Division continues to oversee all secondary procurement activity carried out by the construction manager and records its involvement by means of formal approval of bid lists, a record of bid openings, attendance at key negotiation meetings and written approval of subcontractor bid awards. In addition to the posting of United Nations contract awards on the Procurement Division website,[1] requests for expressions of interest and subcontract awards are posted by the construction manager on its own website.[2]

19. During the period under review, the Procurement Division negotiated and executed a number of construction management agreements for major subproject works. The execution of such agreements follows appropriate approval by the Headquarters Committee on Contracts.

20. In addition to its role in implementing and overseeing sourcing activity, the Procurement Division reviews and comments on change order requests and other requests for approval submitted by the construction manager following the execution of subproject construction agreements. The Procurement Division seeks to ensure that such change requests are reviewed by the capital master plan team in accordance with the terms of the construction contracts and, in particular, that contingency allowances are expended only in accordance with agreed processes and constraints.

21. Further key activity planned by the Procurement Division within the next period includes a review of the financial stability of key contractors and subcontractors as well as increased efforts to communicate procurement opportunities for vendors from developing countries and countries with economies in transition.

VI. Health and safety

22. Improving the safety of occupants and visitors and providing a healthy work environment at United Nations Headquarters is a major objective of the capital master plan.

[1] http://www.un.org/Depts/ptd/award_cmp.htm.

[2] https://partners.myskanska.com/usa/clients/unitednations/CMP/default.aspx.

23. One of the most important steps in this regard is the removal of all asbestos-containing materials from the Headquarters complex. Throughout implementation of the capital master plan, an asbestos abatement contractor working under the construction manager as a subcontractor will perform the work required for the abatement of asbestos-containing materials in accordance with host country regulations at the federal, state and city levels. Asbestos abatement work commenced in the Dag Hammarskjöld Library and basements in the spring of 2009, and asbestos will be abated in all locations at Headquarters throughout the duration of the project.

24. The work will be monitored by an independent asbestos abatement consultant who reports to the capital master plan. The consultant does not serve as a subcontractor to the construction manager. Staff who will remain on site in building segments isolated from the work areas have been briefed about the procedures and safety precautions relating to asbestos abatement.

25. As required by the capital master plan, the construction manager, working in cooperation with the Department of Safety and Security, developed and implemented a safety and security plan for the construction site. The plan contains all relevant regulations established by the host country's Occupational Safety and Health Administration. The safety and security plan has been effective in maintaining safe working conditions, and no out-of-compliance reports against the construction manager were reported. With 800,000 person-hours of construction work so far, the capital master plan remains one of the safest projects in the host country, with only one minor work-related injury reported over the first year of construction.

VII. Parking

26. It was reported in the previous annual progress report (A/63/477) that, in order to improve security at the Headquarters complex, changes to the garage would be required. As a result, approximately 350 parking spaces would be permanently eliminated. In response to the concerns raised, the capital master plan design team has been charged with reviewing options to explore if it is possible to limit the permanent reduction of garage capacity, and progress made in this regard will be reported in the eighth annual progress report.

27. Efforts are being made to carefully phase the reduction of available parking space to minimize any adverse impact on garage users. All construction and repair projects in the garage have been planned and are being implemented in such a manner as to ensure a gradual decrease in the available parking to the extent possible without jeopardizing the overall schedule of the capital master plan project.

28. To decrease the demand for parking spaces, the Office of Central Support Services has taken several steps, including reducing temporary parking permits by 40 per cent, discontinuing daily permits and suspending the issuance of new parking medallions to staff. United Nations staff members have also been encouraged to surrender parking medallions and to carpool to the extent possible. In the long term and over the duration of the capital master plan, the required reduction in garage users will be achieved through attrition, as current holders retire or leave the Organization and surrender their permits.

29. As noted in the previous progress report, the use of the United Nations garage will be limited to official activities to facilitate the conduct of the Organization's daily business during construction. The understanding and cooperation of all permit holders to reduce their usage of the garage will continue to be required as the project progresses.

VIII. Artwork

30. The requirement that works of art be treated properly during the renovation has resulted in several actions:

(a) Fifteen Member States have taken the opportunity presented by the renovation to request that works of art be returned for cleaning or restoration. To date, only three Member States have retrieved their donations;

(b) A total of 114 works of art will initially be relocated to the temporary North Lawn Building, which will eliminate the costs and dangers associated with storage, allow them to be seen and appreciated during the renovation period and provide a means of "softening" a temporary environment. In order to simplify, to the extent possible, the placement of the artwork in the temporary North Lawn Building, the location of each artwork will be determined on the basis of alphabetical order;

(c) Four works of art will be protected in place because it is impossible to move them safely. Detailed planning is being carried out with experts in this field.

31. Discussions are still in progress regarding some other works of art. However, it appears that 10 works of art will require on-campus storage during the renovation.

IX. Sustainability

32. The previous progress report noted several anticipated improvements in the environmental performance of the Headquarters facility as a result of the capital master plan. Improvements related to annual consumption following the completion of the capital master plan, as compared with the current situation, were projected as follows:

(a) A 44 per cent reduction in energy consumption;

(b) A 40 per cent reduction in freshwater consumption.

33. Based upon the recent evaluation of energy savings and a more sophisticated understanding of projected energy consumption, further improvements can be expected as follows:

(a) A 50 per cent reduction in energy consumption;

(b) A 45 per cent reduction in greenhouse gas emissions related to energy consumption (measured according to the World Resources Institute greenhouse gas reporting protocol, as combined effects of carbon dioxide, nitrous oxide and methane, reported in carbon dioxide equivalents);

(c) A 40 per cent reduction in freshwater consumption (the same level of reduction reported in the previous report).

34. Furthermore, a significant portion of energy consumption at the Headquarters complex is devoted to high-level lighting in the conference rooms for broadcast functions and power requirements for the primary data centre. Some of those power demands will be increased, as compared with existing conditions, as part of the modernization aspect of the project. Taking into account the above, and reporting only on consumption related to the heating and air conditioning performance of the project, it is anticipated that the energy used by the Headquarters complex for those specific functions will be reduced by 65 per cent as compared with pre-capital master plan consumption.

35. There are several different national rating systems around the world which measure the level of sustainability of building projects. The system used in the United States of America is known as Leadership in Energy and Environmental Design (LEED). In the United Kingdom of Great Britain and Northern Ireland, the evaluation system is known as the Building Research Establishment Environmental Assessment Method (BREEAM). The system used in Japan is known as the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE), and that of Australia is known as Green Star. Because of the international status of the United Nations, the capital master plan project is not seeking certification by any national system. However, the capital master plan team has evaluated the project against each of the methodologies mentioned above, and has estimated that the capital master plan would be certified at a relatively high level in each system, accordingly:

(a) LEED (United States): "Gold";

(b) BREEAM (United Kingdom): "Very good";

(c) CASBEE (Japan): "A";

(d) Green Star (Australia): "Four stars".

36. As previously reported, the anticipated reductions in energy consumption will be achieved mainly through various key initiatives, including (a) the replacement of the ageing and leaky exterior glass facades, which have reached the end of their useful life and require replacement for safety and security reasons; (b) the replacement of deteriorated and inefficient cooling equipment, which is also at the end of its useful life; (c) the installation of new electronic building management systems, which control energy usage by remote, programmable means and prevent waste; and (d) the installation of new, high-efficiency lighting.

37. Also as previously reported, anticipated reductions in freshwater consumption will be achieved by installing (a) new low-flow and/or metered-flow lavatories, urinals and toilets; and (b) a new high-efficiency landscape irrigation system. The capital master plan will also install a greywater harvesting system, although only on a small, demonstration scale. Greywater harvesting is the collection, storage and treatment (cleaning) of rainwater, which is then used to flush toilets and urinals. The system included in the capital master plan will service restrooms in the General Assembly Building only.

X. Accessibility

38. The design of alterations to improve physical accessibility was implemented in the completed design work, and will continue to be implemented in the remaining design work. In summary, the major areas of improvement will be:

(a) Entrances (including power-assisted doors at all major entrances);

(b) Horizontal circulation within the building, whereby doors will have proper adjacent spacing, width and pressure;

(c) Vertical transportation, with all elevators accessible and controls situated at appropriate heights;

(d) An appropriate number of fully accessible toilet facilities;

(e) Life safety systems, including speakers/strobes;

(f) Signage at required minimum sizes, as well as Braille signage in English and French for all permanent information;

(g) Enhanced support for T-switch-equipped assisted-listening devices, which enable direct transmission to assisted-hearing devices, will be implemented to the extent technically feasible;

(h) One area that has been difficult to improve is accessibility of interpretation booths. In the temporary North Lawn Building and in the new Conference Rooms 11 and 12, all booths will be accessible.

XI. Advisory board

39. The creation of the advisory board is ongoing and is expected to be completed no later than 31 December 2009 in accordance with the decision of the General Assembly (resolution 63/270, para. 40).

XII. Donations

40. The General Assembly, in its resolutions 57/292, 60/256 and 61/251, encouraged the Secretary-General to seek donations for the capital master plan.

41. A donations policy was developed and communicated to Member States on 5 January 2009. Subsequently, the General Assembly decided, in its resolution 63/270, not to endorse the donations policy, and requested the Secretary-General to make new proposals in this regard that allow all Member States, without distinction or conditions, to make donations in full conformity with the international and intergovernmental character of the Organization, as well as the Financial Regulations and Rules of the United Nations and without prejudice to the scope, specifications and design of the project.

42. In general, there are two types of donations — cash contribution and in kind contributions:

(a) Voluntary cash contributions are accepted in accordance with financial regulations 3.11 and 3.12 and financial rule 103.4;

(b) In kind contribution, in addition to acceptance being in accordance with financial regulations 3.11, 3.12 and financial rule 103.4, is guided by Secretary-General's bulletin ST/SGB/2006/5, entitled "Acceptance of pro bono goods and services".

43. Furthermore, in preparation for the proposed capital master plan renovation project, the Under-Secretary-General for Management sent letters, dated 10 January 2007, to Member States, stating that "the United Nations requires a moratorium on gifts to the United Nations Headquarters in New York. We must therefore request that each Member State postpone offering any new gifts starting 15 January 2007 until the projected completion of the capital master plan, presently estimated for the end of 2014".

44. The proposed capital master plan donation policy has been prepared in the light of, and consistent with, the framework reflected in paragraphs 42 and 43 above.

45. In response to the concerns of the General Assembly, a revised donations policy was developed to allow for smaller cash donations to be made in two ways: (a) by making a joint contribution, with other Member States, in order to fund the joint adoption of a room; and (b) by making donations to a trust fund without adopting a room. It should be noted that the former option would entitle the Member State to design input, while the latter would not.

XIII. Relations with the host country

46. As reported in the previous progress report, in January 2008 the United Nations reached an understanding with the authorities of the host city and country concerning the process by which the United Nations would seek to meet host city and country building, fire and safety codes without prejudice to the privileges and immunities of the United Nations. During the period covered by the present report, the United Nations, the host country and the host city maintained a constructive dialogue on matters pertaining to the capital master plan, and the host city provided assistance and support with respect to the process of reviewing the Organization's construction documents, in accordance with the January 2008 understanding. Coordination and dialogue with city authorities have been productive, and the relationship between the Organization and the host city is strong.

XIV. Projected cost

47. The budget of the capital master plan was established at $1,876.7 million by the General Assembly in its resolution 61/251. It was based upon the projected cost of a phased renovation at that time. Owing to delays in the execution of the project in 2006 and 2007, the effects of inflation caused the projected cost of the project to increase to $2,096.3 million, creating a projected budget deficit of $219.6 million. The approval of accelerated strategy IV in December 2007 resulted in a projected cost of $2,066.8 million, with a reduced projected budget deficit of $190.1 million.

48. Value engineering incorporated into the design of the project before the previous progress report lowered the projected cost to $1,974.2 million, with a reduced budget deficit of $97.5 million.

49. At this time, with more than 62 per cent of the capital master plan commitments already bought and locked in, the new projected cost is $1,968.1 million, with a reduced budget deficit of $91.4 million.

50. Another change from the projected cost as set out in the previous progress report is the lower level of contingency in the estimated costs presented in the present report, the result of the progress made on the project. The contingency, previously separated into contingency and escalation, was combined into one factor and then appropriately reduced, on the basis of the far lower level of risk now facing the project. Whereas previously, the capital master plan faced seven years of unpredictable escalation and other pricing unknowns for the entire $1.9 billion budget, the Office of the Capital Master Plan has now locked in the costs for $1,223.6 million, and will lock in an additional estimated amount of $159 million by the end of 2009. It is projected that at the beginning of 2010, an estimated $409 million of construction will remain at risk.

51. The projected changes in renovation costs, swing space costs and options are summarized in table 2.

Table 2
Budget of the capital master plan
(Thousands of United States dollars)

	Accelerated strategy	
	As at September 2008	*As at September 2009*
Renovation		
Construction	1 032 900	1 057 402
Professional fees, management costs	280 340	302 365
Subtotal	**1 313 240**	**1 359 767**
Swing space estimate		
Office swing space	273 441	273 622
Library swing space	2 714	2 714
Conference swing space	149 540	150 545
Subtotal	**425 695**	**426 881**
Total cost for renovation and swing space	**1 738 935**	**1 786 648**
Contingency/escalation	**235 236**[a]	**181 423**[b]
Total project	**1 974 171**	**1 968 071**
Approved budget	**1 876 700**	**1 876 700**
Variance against approved budget	**97 471**	**91 371**

[a] The total cost of the project ($1.739 billion) consists of: (a) commitments entered into/bids received for procurement amounting to $750.4 million plus (b) estimated costs for future expenditure at $988.6 million. Contingency/escalation is computed as 5 per cent for committed costs ($750.4 million x 5 per cent = $37.5 million) and 20 per cent for estimated future costs ($988.6 million x 20 per cent = $197.7 million), totalling $235.2 million ($37.5 million + $197.7 million).

[b] Owing to the fact that the project is at a more advanced stage, contingency is now calculated as 10 per cent over the actual value of signed guaranteed maximum price contracts, or as 20 per cent of projected unsigned guaranteed maximum price contracts, based on the reconciled estimate ("final budget"). Contingency calculation: (a) signed guaranteed maximum price contracts ($746.7 million x 10 per cent = $74.7 million) plus (b) future guaranteed maximum price contracts ($568.5 x 20 per cent = $113.7 million), totalling $181.4 million (this takes into account a contingency transfer of $6.9 million to signed guaranteed maximum price contracts).

XV. Other financial considerations

A. Secondary data centre

52. In its resolution 63/269, the General Assembly took note of the report of the Secretary-General entitled "Information and communications technology, disaster recovery and business continuity for the United Nations: arrangements for the secondary data centre at Headquarters" (A/63/743) and endorsed the conclusions and recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions (A/63/774), subject to the provisions of the resolution. In paragraph 12 of the resolution, the General Assembly requested the Secretary-General to absorb $5,096,880 within the budget of the capital master plan, and decided that $2,031,860 shall be financed from the resources to be approved for the support account of peacekeeping operations from 1 July 2009 to 30 June 2010 in order to pursue the most reliable and cost-effective risk mitigation measures during the migration of the primary data centre to the North Lawn.

53. The General Assembly also decided that any further proposal for risk mitigation measures to protect data and the information and communications systems of the Secretariat during the construction work of the capital master plan, if necessary, shall be reported in the context of the annual progress report on the capital master plan. Addendum 1 to the present report (A/64/346/Add.1) provides information on the status of the secondary data centre and the revised resource requirements for the secondary data centre for the period from July 2009 to December 2011 on the basis of cost-sharing arrangements between the capital master plan and the support account for peacekeeping operations.

B. Associated costs related to the capital master plan

54. During the construction period under the capital master plan, temporary increases in staffing and operational costs will be required in certain parts of the Secretariat to support construction activities. To date, such costs have been identified with regard to the Department for General Assembly and Conference Management, the Department of Public Information, the Department of Management and the Department of Safety and Security.

55. The Secretary-General presented the associated costs related to the capital master plan for the period 2008 to 2013 in his report on associated costs related to the capital master plan (A/62/799). However, the report was not considered by the General Assembly. In his subsequent report on the associated costs related to the capital master plan (A/63/582), the Secretary-General submitted revised projected associated costs related to the capital master plan for the period 2008 to 2013. By its

resolution 63/270, the General Assembly decided that the approved associated costs for the capital master plan will be financed from within the approved budget of the capital master plan unless otherwise specified by the General Assembly, and decided not to approve the overall level of associated costs at the time, bearing in mind opportunities for further cost reductions posed by the present economic circumstances as well as savings realized by the Secretary-General.

56. In resolution 63/270, the General Assembly recalled paragraph 50 of the report of the Advisory Committee on Administrative and Budgetary Questions (A/63/736), and requested the Secretary-General to make every effort to absorb the associated costs for the biennium 2008-2009 from within the overall budget approved for the capital master plan in a total amount of $30,272,400. Furthermore, the Secretary-General was requested to submit to the General Assembly, for its decision at the main part of its sixty-fourth session, in the context of his seventh annual progress report on the implementation of the capital master plan, proposals for financing the associated costs required for 2010 from within the approved budget of the capital master plan. Addendum 2 to the present report (A/64/346/Add.2) provides information on the status of expenditures of the associated costs for the biennium 2008-2009 and estimated requirements for 2010.

XVI. Financing

57. By paragraph 14 of its resolution 61/251, the General Assembly decided to establish two different options for the assessment and payment of costs by Member States for the capital master plan.

58. As at 7 May 2007, 12 Member States had selected the one-time payment option and 180 Member States had selected the equal multi-year assessment of five years in accordance with the pre-established selection criteria and deadlines specified in resolution 61/251. As at 31 August 2009, an amount of $88.4 million in assessments remain unpaid to the capital master plan for 2009 and prior periods.

XVII. Internationally syndicated letter of credit

59. To date there remains no need for the establishment of a letter of credit pursuant to paragraphs 26 and 28 of General Assembly resolution 61/251. However, the authority has been and should continue to be maintained, to provide assurance to the construction manager that adequate funding for the project is available.

XVIII. Working capital reserve

60. In its resolution 61/251, the General Assembly approved the establishment of a working capital reserve of $45 million under the capital master plan account. As at 31 August 2009, an amount of $72,068 remained outstanding.

XIX. Status of appropriations and expenditures

61. The total appropriation to date is $1,186.8 million, broken down as follows:

(a) In its resolution 57/292, the General Assembly appropriated $25.5 million for the design development phase of the capital master plan and authorized commitments of up to $26.0 million for the biennium 2004-2005 for the preparation of construction documents;

(b) In its resolution 59/295, the Assembly decided to convert $17.8 million of the $26.0 million commitment authority into an appropriation and renewed the existing commitment authority for 2006 for the balance of $8.2 million;

(c) In its resolution 60/248, the Assembly decided to convert the balance of the existing commitment authority of $8.2 million into an appropriation for 2006;

(d) In its resolution 60/256, the Assembly appropriated an additional $23.5 million for financing the design and pre-construction phases of the capital master plan, including swing space requirements, and provided commitment authority for up to $77.0 million for the biennium 2006-2007 to provide for the construction, fit-out and related requirements of a conference swing space building on the North Lawn and for the leasing, design pre-construction services, fit-out and related requirements of library and office swing space;

(e) In its resolution 60/282, the Assembly decided to convert the existing $77.0 million commitment authority into an appropriation, which was assessed in 2006;

(f) In its resolution 61/251, the Assembly decided to appropriate $42.0 million for 2007 for the design and pre-construction phases of the capital master plan, including swing space requirements;

(g) In its resolution 62/87, the Assembly decided to appropriate $992.8 million for the biennium 2008-2009 for the project.

62. Actual expenditures for the project as at 31 August 2009 amount to $872.9 million. This consists of actual expenditures of $3.2 million in 2003, $14.8 million in 2004, $6.5 million in 2005, $36.5 million in 2006, $46.4 million in 2007, $229.6 million in 2008 and $535.9 million for the period January to August 2009. It should be noted that the rate of expenditure will further increase with the finalization of the guaranteed maximum price contracts for the renovation of the Secretariat and Conference Buildings by the end of 2009. Actual and projected expenditures for the period from 2003 to 2009 by category are detailed in table 3.

Table 3
Expenditures for the period 2003-2009 for the design development, construction documents and construction administration phases and for pre-construction services and construction
(Thousands of United States dollars)

	2003-2005[a]	*2006*[a]	2007[a]	*2008*[a]	*Jan-Aug 2009*[a]	*Total*	*Sep-Dec 2009*[b]
Design contractual services	12 910.1	22 426.9	13 324.8	43 202.3	14 426.3	106 290.4	13 396.3
Direct staff costs	4 790.3	1 569.4	2 338.9	2 737.9	2 127.9	13 564.4	1 039.1
Support costs	1 348.2	587.1	958.1	1 409.5	1 133.0	5 435.9	698.8
Operating and other costs	1 623.4	570.0	751.1	3 705.5	390.5	7 040.5	2 085.1
Programme management and consultants	3 377.1	4 524.8	4 117.4	20 208.5	1 814.9	34 042.7	687.3
Construction and pre-construction	—	—	7 022.0	25 265.9	322 136.3	354 424.2	286 359.5
Swing space cost	506.3	6 848.0	17 881.2	133 081.5	193 805.7	352 122.7	9 110.4
Subtotal	**24 555.4**	**36 526.2**	**46 393.5**	**229 611.1**	**535 834.6**	**872 920.8**	**313 376.5**
Savings	(12.7)	(1 512.4)	(9.7)			(1 534.8)	
Total	**24 542.7**	**35 013.8**	**46 383.8**	**229 611.1**	**535 834.6**	**871 386.0**	

[a] Actual.
[b] Projected.

XX. Overall financial requirements of the capital master plan

63. In paragraph 133 of the report of the Board of Auditors on the capital master plan for the year ended 31 December 2008 (A/64/5 (vol. V)), the Board recommended that, in accordance with General Assembly resolution 63/270, the Administration disclose in the cost estimate for the capital master plan the associated costs approved by the General Assembly. Table 4 reflects the overall financial requirements of the capital master plan, taking into consideration the projected cost of the capital master plan project, the General Assembly resolutions requesting the Secretary-General to absorb, within the approved budget of the capital master plan, the requirements of associated costs for the biennium 2008-2009 and secondary data centres and projected requirements for associated costs for the year 2010 and risk mitigation measures to protect data and the information and communications systems of the Secretariat during construction work under the capital master plan.

Table 4
Overall financial requirements of the capital master plan
(Thousands of United States dollars)

	Projected requirements[a]
Capital master plan project	1 968 071
Associated costs for the biennium 2008-2009[b]	30 300
Secondary data centre for 2008-2009[c]	5 100
Proposals for financing the associated costs required for 2010 from within the approved budget for the capital master plan	50 114
Proposal for risk mitigation measures to protect data and information and communications systems of the Secretariat during construction work under the capital master plan	12 257
Total requirements to be financed from the approved capital master plan budget	**2 065 842**
Approved capital master plan budget	1 876 700
Variance against approved budget	**189 142**

[a] Does not include estimates for associated costs for the period 2011-2013 of $91,874,900.
[b] See resolution 63/270.
[c] See resolution 63/269.

XXI. Conclusions and recommendations

64. **The Secretary-General recommends that the General Assembly:**

(a) **Take note of the progress made since the issuance of the sixth annual progress report;**

(b) **Decide to appropriate the remaining balance of $689.9 million towards the construction phases of the capital master plan;**

(c) **Request the Secretary-General to continue reporting on the status of the project, the schedule, the projected cost to complete, the status of contributions and the working capital reserve.**